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CENTRAL INTELLIGENCE BULLETIN



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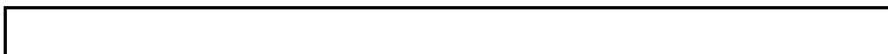
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*East Germany: During its one-day session on 24 January the East German parliament enacted universal military conscription and tentatively approved a new customs law. Defense Minister Heinz Hoffmann told the parliament that conscription would begin "sometime this year." According to press reports, it is to go into effect on 1 March.

The new customs law, when finally enacted, will affect the importation of all foreign goods. In his speech to the parliament introducing the bill, however, Foreign Trade Minister Julius Balkow denied that it would mean levying duties on goods from West Germany. The Ulbricht regime presumably hopes thereby not to disrupt interzonal trade. The customs law reaffirms the standard East German position that West Berlin is a separate legal and political entity, "located in the customs and sovereign territory" of East Germany, and provides that the movement of goods to and from the city eventually must be "settled within the framework of treaty arrangements." Balkow demanded that in the meantime the Allies prevent the application of the West German customs law in West Berlin and advised the West Berlin Senat to establish its own customs administration. [REDACTED]

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[REDACTED] [On the basis of findings by its Watch Committee, the United States Intelligence Board on 24 January reached the following conclusion concerning Berlin:

[REDACTED] Communist military activity and recent Soviet actions in the immediate Berlin area do not suggest that the Communists expect to risk military confrontation over Berlin in the immediate future. [REDACTED]

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Dominican Republic: Communist activity is being intensified with the return to the Dominican Republic of Communist

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exiles and their sympathizers. Maximo Lopez Molina, the pro-Communist secretary general of the Dominican Popular Movement (MPD), arrived in Santo Domingo on 21 January and, in a radio address on the following day, called for "a true agrarian reform" and a severing of "the ties that join us to US imperialism." Other Communist and leftist exiles reportedly will return on 25 January--some of them from Cuba--and are to form a new MPD central committee. The new MPD program is to include efforts to obtain control of the labor movement, indoctrination of peasants on Cuban agricultural reforms, and agitation for the formation of a "government of national unity." The MPD already is reported to have gained some support from the 14th of June party, which has recently been deserted by most of its moderates and now is under extreme leftist leadership.

*The government, which is dominated by the large and generally moderate National Civic Union, is aware of these leftist activities, but has been hesitant to risk popular demonstrations by prohibiting the return of exiles at this time.

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Indonesia:

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there has been a significant increase in Communist party activity, both overt and covert, since Sukarno's 19 December appeal to the nation to "mobilize" for a military campaign to take West New Guinea. The party regards military preparations, including Sukarno's call for volunteers, as an excellent opportunity both for penetration of the armed forces and for military training. It has long tried to subvert the military services, which are under non-Communist leadership, and to develop its own military arm--

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(Backup, Page 3)

On the basis of findings by its Watch Committee, the United States Intelligence Board on 24 January reached the following conclusion concerning Indonesia:

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[REDACTED] Indonesia will continue military preparations to attack West New Guinea while concurrently hoping for negotiations on favorable terms with the Dutch. Intensified Indonesian and Dutch patrolling activities in areas adjacent to West New Guinea will increase the likelihood of air or naval incidents. [REDACTED]

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[REDACTED] Iran: At the request of Prime Minister Ali Amini, the Shah has requested General Timur Bakhtiar, former chief of the National Intelligence and Security Organization (SAVAK), to leave Iran on the grounds that his presence aggravated the situation caused by the three days of student rioting against the Amini government. Bakhtiar has agreed to go and plans to leave for Switzerland shortly. Although Bakhtiar has continued to maintain friendly contact with nationalist elements, there is no evidence that he was involved in the recent disturbances. Bakhtiar feels that the Shah has no desire to put reforms into effect and that Amini, lacking a personal following, can not resist pressures from the Shah and the vested interests around the Court. [REDACTED]

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USSR: The official summary of the statistical report on the achievements of the Soviet economy in 1961 states that industrial output--which was slightly behind plan at midyear--exceeded its annual target and made good progress toward 1965 goals. The consumer, however, had a relatively poor year; despite claims of the second-best grain harvest in history, agricultural output is still little if at all ahead of 1958, which is the base year of the current plan, and goals were not met in housing and the manufacture of consumer goods. The increase in investment was well below that achieved in recent years. Defects in planning and management are at least in part responsible for the shortcomings, although the possibility that resources were transferred to the military or to the armaments industries cannot be discounted. [REDACTED] (Backup, Page 5) (Chart)

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Bulgaria: Bulgaria's pro-Khrushchev leadership may face challenge from the Stalinist wing of the Bulgarian Communist party in the next six months prior to the party's eighth congress in August. [REDACTED]

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[REDACTED] Vulko Chervenkov, leader of Bulgaria's Stalinist faction within the party, reportedly told the central committee last November, "I am a disciplined Communist, but at the party congress. . . we will see who is right." At the November session

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the Zhivkov leadership launched its latest de-Stalinization campaign, which has cost Chervenko his membership on the politburo and his post of deputy premier. Chervenko is still a member of the central committee. Since then the regime has undertaken a deliberate campaign to destroy the high esteem in which he is still held both inside and outside the party.

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*France-Algeria: High French officials including De Gaulle himself have recently expressed the view that virtual agreement has been reached with the provisional Algerian government (PAG) on all major issues involved in an Algerian settlement, and appear to be setting mid-February as a "deadline" for the PAG to signify its accord. PAG officials, however, have not confirmed any such agreement. They assert that they have made their maximum concessions and take the position that the next move is up to Paris. There are indications they may once again be considering a referral of the entire situation to their cumbersome parent body, the National Revolutionary Council. Meanwhile, success or failure of the intensified French effort to control terrorism in Algeria and smash the Secret Army Organization will probably be the key factor in any PAG decision as to whether De Gaulle could implement any agreement the PAG signs.

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CONCLUSIONS OF SPECIAL USIB SUBCOMMITTEE ON BERLIN SITUATION

The United States Intelligence Board has approved the following conclusions reached by its Special Berlin Subcommittee which reviewed the situation for the period 10 through 24 January 1962:

1. During its meeting of 24 January, the Volkskammer introduced a new customs law and enacted a bill providing for military conscription. The customs law underlines the Ulbricht regime's claims to sovereignty and when implemented will put an end to the treatment of all Germany as one customs area. It emphasizes the regime's contention that West Berlin is a separate juridical entity, located within East German territory, and must no longer be included in the West German customs area. The USSR has already challenged the legality of West Berlin's inclusion in West German trade agreements with third countries. The conscription law sets up the machinery for regular military conscription and should avoid the type of disruption caused by last fall's expansion of the East German military forces from 143,500 to 164,000 men, including uniformed security troops, through "voluntary" enlistment. Implementation of the law is left to the National Defense Council.

2. During recent weeks Soviet forces have been quietly making their presence visible along the sector and zonal borders of West Berlin, and appear to have improved their position to take immediate control over developments.

a. There is evidence that Soviet personnel have established a headquarters of undetermined echelon at Thaelmann Platz, approximately five blocks north of Friedrichstrasse;

b. There are recurring reports of Soviet foot patrols along the borders;

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c. West Berlin is ringed at the sector-zonal border by approximately 100 observation towers--at least some of which are manned by Soviet personnel;

d. Soviet personnel have been observed adjacent to the sector border at the Bornholmer S-Bahn station at the French Sector and at the zonal border of Lichterfelde in the US Sector, where a tower overlooks the training area at the US McNair Barracks;

e. Other observation posts reportedly have been established in buildings overlooking the sector crossing points and the major East - West Berlin thoroughfares.

3. We believe that the USSR is still interested in continuing the talks in Moscow. There are indications that in the event of an impasse in these discussions, the USSR would try to develop new channels such as direct talks with Chancellor Adenauer or Prime Minister Macmillan, or further talks with the US at a high level. At any rate, we expect the USSR to use the next several weeks for probing Western firmness before deciding on new moves on the Berlin scene or steps toward a separate treaty with East Germany. Soviet preference for a negotiated settlement is strongly suggested by a vigorous attack in Pravda last week on the opponents of "peaceful coexistence," which specifically justified the value of high-level contacts with the West. A public lecturer in Moscow on 21 January stated flatly that a resolution of the West Berlin problem by negotiations was clearly preferable to proceeding with a German peace treaty. [REDACTED]

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WATCH COMMITTEE CONCLUSIONS

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On the basis of findings by its Watch Committee, the United States Intelligence Board concludes that:

No Sino-Soviet bloc country intends deliberately to initiate direct military action in the immediate future.

BERLIN: (Carried on Page ii of Daily Brief)

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SOUTH VIETNAM: Although counteractions by government forces have recently shown some success, the Viet Cong continues its high rate of subversive and small-scale military activity and retains its capability to conduct large-scale attacks on pre-selected targets in some areas of the country at any time.

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Indonesian Communist Activity Increases

Communist party chairman Aidit is reported to have secretly ordered the party cadre to exploit Sukarno's call for "mobilization" by intensifying efforts to penetrate all organizations, including the armed forces. On 23 December, following Sukarno's call for volunteers for military service, Aidit announced that 2,000,000 Communists were ready at any time. The secretary general of the Communist youth movement claimed in mid-January that 100,000 members of his organization had registered as volunteers and that more would follow. Aidit has publicly thanked Sukarno for the opportunity given Indonesia's youth to acquire training for the West New Guinea struggle.]

[The army is trying to channel the registration of volunteers through the military services where they can be screened. Communist leaders, however, are pushing for registration through national front and other civilian organizations where the party will have better opportunities for penetration.]

[In the absence of official restraints, the Communist propaganda machine has become vociferously active since the Dutch-Indonesian naval incident on 15 January. Various Communist leaders, organizations, and publications have demanded that Indonesia not negotiate with the Dutch but attack them in West New Guinea. These demands have come from the country's largest labor federation, SOBSI; the largest peasant organization, BTI; the official Communist daily Harian Rakjat, and the pro-Communist daily Bintang Timur.]

[Despite continued military preparations, the emphasis in Djakarta appears to have shifted toward working for a negotiated settlement. In speaking of the 15 January incident, Sukarno's military spokesman, General Jani, on 23 January warned against the possibility that the enemy was trying to]

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SOVIET ECONOMIC SITUATION
— SELECTED INDICATORS —

	1960		1961		1962		Percentage Increase		
	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL		PLAN	7 YEAR PLAN *	
					60 over 59	61 over 60	62 over 61	1962-65	
Pig Iron (Million Metric Tons)	46.8	51.2	50.9	56	8.8	8.7	10.0	9.2	
Steel (Million Metric Tons)	65	71.3	70.7	76.9	8.8	8.7	8.7	7.9	
Oil (Million Metric Tons)	148	164	166	183+	14.1	12.1	10.2	9.6	
Gas (Billion Cubic Meters)	47	59.7	60.9	72.4	26.5	27.0	29.6	25.3	
Electric Power (Billion Kilowatt Hours.)	292.3	327	327	366	10.2	11.8	11.9	12.3	
Cement (Million Metric Tons)	45.5	51	50.9	57+	17.2	11.8	11.9	13.5	
Mineral Fertilizers (Million Metric Tons)	13.9	15.3	15.3	17.2	7.7	10.0	12.4	23.0	
						*Annual average for years remaining			
PERCENTAGE INCREASES	1960		1961	1962					
		PLAN	ACTUAL	PLAN					
Gross Industrial Production	10	8.8	9.2	8.1					
Group A (Heavy industry)	10.9	9.5	10.+	8.8					
Group B (Light industry)	7+	6.9	6.6	6.6					
Labor Productivity (Industry)	5.3	6.0	4+	5.6					

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"provoke an impulsive act on our part." He said the "important thing is to maintain preparedness while awaiting subsequent commands."

No non-Communist military or civilian leader, however, is likely to demand moderation from the Communists on the New Guinea issue. The army, in particular, must act circumspectly in dealing with volunteers lest it give the Communists grounds for a complaint to Sukarno of discrimination.

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Soviet Plan Fulfillment in 1961

While the pattern thus far in the Seven-Year Plan is one of slightly slowing rates of growth, the overfulfillment in heavy industry (group A) thus far would enable the economy to meet the 1965 target even with a considerable reduction in the heavy industrial growth rate. The food industry and other light industries (group B), however, failed to meet the 1961 target and must perform at a slightly higher rate in the future if the goals projected for 1965 are to be met.

The summary provides only sparse information on the investment program, which has been the subject of considerable attention in the Soviet press since Khrushchev at the party congress pointed to the growing problem of spreading resources among too many construction projects and to the growing backlog of uncompleted construction. The announced investment figure for 1961 includes investment in areas of the economy not covered in earlier Soviet reports on investment for the year. It shows a 5.5-percent increase over 1960, compared with an average increase of about 12 percent in recent years. Investment in the chemical, metallurgical, and machine-building industries, and in food and other light industries, fell far short of plan.

The 1961 housing goal was underfulfilled by 15 percent. The total for the first three years of the Seven-Year Plan is only a little over a third of the way toward the 1965 objective. If the 1962 goal is met, annual construction during the remaining years of the plan must average more than a billion square feet, which is possible only if the industry is given a higher priority.

Labor productivity rose substantially less than the 6 percent planned, but this was partially offset by an increase in the state labor force to 66,000,000, the level originally set for 1965. The increase of 3,950,000 in a year when demobilization was

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suspended reflects greater use of women and students and the continued conversion of collective farms to state farms.

The USSR claims the second-largest grain harvest in its history--138,000,000 metric tons. However, Soviet grain production statistics in recent years have been considerably higher than the estimates of Western specialists. Our estimate of the grain crop is 115,000,000 tons. Meat production at state slaughterhouses dropped 2 to 3 percent in 1961, and per capital availability of meat may be as much as 10 to 15 percent below the 1959 level. While this decrease causes no critical problem from the standpoint of food supply, it more than justifies the attention Khrushchev has given to agriculture in his recent speeches.

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